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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

July 31, 2001

Magalie R. Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: **CC Docket No. 00-251**
In the Matter of Petition of AT&T Communications of
Virginia, Inc., TCG Virginia, Inc., ACC National
Telecom Corp., MediaOne of Virginia and MediaOne
Telecommunications of Virginia, Inc. for Arbitration of
an Interconnection Agreement With Verizon Virginia,
Inc. Pursuant to Section 252(e)(5) of the
Telecommunications Act of 1996

Dear Ms. Salas:

On behalf of AT&T Communications of Virginia, Inc. and its affiliates listed above, enclosed please find an original and three (3) copies of the testimony and exhibits of Michael C. Pfau, David L. Talbott, Robert Kirchberger, Edward C. Nurse, and William Solis.

Please note that the testimony of Mr. Solis and Mr. Talbott is being filed in both "public" and "proprietary" versions. Please take appropriate measures to safeguard the proprietary versions from public disclosure.

Thank you for your consideration in this matter.

Sincerely yours,

Mark A. Keffer

cc: Service List
Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
Petition of AT&T Communications) CC Docket No. 00-251
of Virginia, Inc., Pursuant)
to Section 252(e)(5) of the)
Communications Act, for Preemption)
of the Jurisdiction of the Virginia)
State Corporation Commission)
Regarding Interconnection Disputes)
with Verizon-Virginia, Inc.)
)

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FCC MAIL ROOM

DIRECT TESTIMONY OF
ROBERT J. KIRCHBERGER
ON BEHALF OF AT&T¹

ISSUES ADDRESSED	
I-9, I-2	May Verizon impose limits on AT&T prices?
VII-12, VII-14	Can the ICA simply reference industry billing guidelines which are subject to change?
I-11	May Verizon unilaterally terminate access to OSS if it believes AT&T has breached its obligations?
V-10	Must Verizon offer vertical features for resale on a stand-alone basis?
VII-1	Has AT&T changed its stance on network architecture issues?
VII-26	What charges should apply for a missed appointment when Verizon personnel on a service call on AT&T's behalf cannot access the customer's premises?
I-5	What are the appropriate terms and conditions to comprehensively implement the Commission's ISP Remand Order? I.5.a. How should Verizon and AT&T calculate whether traffic exceeds a 3:1 ratio of terminating to originating traffic?

¹ This Affidavit is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

	<p>I.5.b. How should Verizon and AT&T implement the rate caps for ISP-bound traffic?</p> <p>I.5.c. How should Verizon and AT&T calculate the growth cap on the total number of compensable ISP-bound traffic minutes?</p> <p>I.5.d. How should the parties implement a Verizon offer to exchange all traffic subject to section 251(b)(5) at the rate mandated by the FCC for terminating ISP-bound traffic?</p> <p>I.5.e. What mechanisms should the parties utilize to implement, in an expeditious fashion, changes resulting from any successful legal appeals of the Commission's ISP Remand Order?</p>
II-1(d)	Rate design for unbundled local switching
V.4	Should all calls originating and terminating within a LATA be subject to the same compensation arrangements without regard to end-user classification or type of traffic?
V.4.A & V.3²	Should reciprocal compensation provisions apply between AT&T and Verizon for all traffic originating from UNE-P customers of AT&T and terminating to other retail customers in the same LATA, and for all traffic terminating to AT&T UNE-P customers originated by other retail customers in the same LATA?

1

2

JULY 31, 2001

² Issues V.4.A and V.3 are identical and were separately stated in AT&T's Petition in error.

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Robert J. Kirchberger. My business address is 295 North Maple
3 Avenue, Basking Ridge, NJ.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

5 A. I am employed by AT&T Corp., and I am a Director of Government Affairs in the
6 Law and State Government Affairs Division.

7 Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES, AS WELL
8 AS YOUR EXPERIENCE IN THE TELECOMMUNICATIONS
9 INDUSTRY.

10
11 A. I am responsible for presenting AT&T's regulatory advocacy on a broad range of
12 issues in regulatory states across AT&T's eastern region, including Virginia. ^
13 Recently I have also directed AT&T's participation in various industry
14 collaborative work groups addressing Verizon's UNEs, OSS and performance
15 measures and remedies. I have actively participated in state commission-
16 sponsored oversight of the testing of Verizon's OSS in Pennsylvania, New Jersey
17 and Virginia. I have testified, and/or participated in developing the written
18 comments and testimony that AT&T has filed, in Pennsylvania, Maryland, West
19 Virginia, New Jersey, The District of Columbia, Delaware, in addition to
20 Virginia. I have also participated on AT&T's behalf in the negotiation and
21 arbitration of the interconnection agreements with Verizon's predecessor, Bell
22 Atlantic, in 1996 and 1997.

23 I have 32 years experience in the telecommunications industry -- 10 years
24 with New Jersey Bell and more than 22 years with AT&T. Over that span I have

1 held positions of increasing responsibility in a number of areas, including
2 management of local repair service centers and local switching offices,
3 development of technical and tariff support for pricing and marketing of both
4 New Jersey Bell's and AT&T's services, and management of customized
5 offerings.

6
7 **Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?**

8 **A.** Three issues that have been designated as Pricing Terms and Conditions (I-9,
9 Price Caps on CLEC Services, and VII-12 and VII-14, which are issues Verizon
10 has raised concerning billing detail); a UNE issue (I-11, whether Verizon can
11 unilaterally terminate AT&T's access to Verizon OSS); a Resale issue (V-10,
12 AT&T's right to obtain Verizon's vertical features for resale); and two issues that
13 Verizon raised (VII-1, concerning the assertion that AT&T is attempting to
14 circumvent negotiations of network architecture issues, and VII-26, concerning
15 the compensation due Verizon when its technician cannot gain access to an ATT
16 customer premises). I am also addressing an intercarrier compensation issue,
17 specifically, the restatement of Issue I-5, concerning how the ISP Remand Order
18 should be implemented in the interconnection agreement. Finally, I am also
19 addressing an issue of UNE pricing, concerning the rate design for unbundled
20 switching.

ISSUE I.9, I.2 Can Verizon limit or control rates and charges that AT&T may assess for its services, facilities and arrangements?

Q. HOW DOES VERIZON ATTEMPT TO PLACE CAPS ON THE CHARGES THAT AT&T MAY LEVY ON VERIZON?

A. By including in its proposed contract terms limitations on the amounts that may be charged for certain elements or services that are essential for the interconnection of AT&T's and Verizon's networks and that AT&T is entitled to charge for the transport and termination of traffic. The most telling example is Verizon's proposed section 4.2.7, which states that "AT&T shall charge Verizon no more than a non-distance sensitive Entrance Facility charge as provided in Exhibit A for the transport of traffic from a Verizon POI to an AT&T-IP in any given LATA." Mr. Talbott will explain why this is a particularly onerous and unfair limitation on all CLECS, including AT&T; I address only the aspect of Verizon's assertion of its right to impose such a rate cap.

Q. WHAT DOES VERIZON USE AS ITS JUSTIFICATION FOR THIS POSITION?

A. It simply relies on the unremarkable right of the Commission to examine the reasonableness of any rate offered by any public entity operating in Virginia.³ While that is undisputable, it is no support for the proposition that an incumbent provider of services in a market should be permitted to determine the prices that new entrants can charge the incumbent for comparable services in that market. Verizon's attempt to place such caps on the charges that AT&T can assess for its services, facilities and arrangements is not supported by the Act or the

1 Commission's rules. Moreover, Verizon's attempt to impose such caps
2 unilaterally removes the market mechanism as a method to control prices and
3 establishes Verizon, not appropriate regulatory bodies, as the authority over
4 CLEC rates and charges.

5 **Q. WHY DO YOU MAINTAIN THAT VERIZON'S PROPOSAL IS NOT**
6 **SUPPORTED BY THE ACT?**

7 A. It is my understanding that Section 251(c)(6) of the Telecommunications Act of
8 1996 exclusively imposes on *incumbents*, such as Verizon, certain obligations
9 concerning the cost of services provided to CLECs. The Act does not
10 contemplate limiting a CLEC's pricing flexibility when the incumbent proposes to
11 purchase services from the CLEC. There are no reciprocal pricing obligations
12 which limit AT&T's charges for services, functions and facilities provided to
13 Verizon, for obvious reasons. It is Verizon – not AT&T, not even all CLECs in
14 the aggregate – that wield the dominant local exchange market power. There are
15 no such limitations on CLEC pricing flexibility because there is no need for any:
16 the market serves that function. It would be especially inappropriate to usurp that
17 function by terms dictated by the incumbent/purchaser.

18
³ See Verizon Response to Statement of Unresolved Issues, at 176 (Issue I-9).

1 **ISSUE VII-12** Should the Parties' interconnection agreement be burdened with detailed
2 industry billing information when the Parties can instead refer to the
3 appropriate industry billing forum?

4 **ISSUE VII-14** Should the Parties' Agreement Address Industry Standard Billing
5 Information In Great Detail?

6 **Q. WHY DOES VERIZON OBJECT TO INCLUDING CERTAIN BILLING
7 DETAIL IN THE INTERCONNECTION AGREEMENT?**

8 **A.** It maintains that the parties can refer instead to the appropriate industry billing
9 forum.⁴

10 **Q. ISN'T THAT TRUE?**

11 **A.** It is certainly true that there is an established industry forum, the Ordering and
12 Billing Forum ("OBF"), that deals with billing matters industry-wide, and that
13 members of the telecommunications industry, including both Verizon and AT&T,
14 actively participate in that forum. But Verizon confuses the guidelines that
15 emanate from OBF with the contract terms that AT&T seeks to ensure the
16 accurate exchange of billing information with Verizon. The two concepts are not
17 inconsistent and can co-exist; indeed they do in the current interconnection
18 agreement between Bell Atlantic and AT&T.⁵

19 **Q. WHY DOES AT&T NEED MORE THAN THE OBF GUIDELINES FOR
20 CERTAIN BILLING TERMS?**

21 **A.** Because there are certain elements of billing information that need to be
22 exchanged, such as, for example, Carrier Information Codes, and that AT&T

⁴ See Verizon Supplemental Statement of Unresolved Issues, at 41-43 (Issues VII-12 and VII-14).

⁵ See, e.g., Attachment 6, § 1.1 to existing AT&T-BA interconnection agreement, Attachment C to AT&T's petition for arbitration herein.

1 needs to be able to rely upon being able to receive from Verizon. There is no
2 guarantee that any industry member will observe any particular OBF guideline,
3 and the intent of AT&T's proposal is to establish a contract obligation to buttress
4 the OBF guidelines:

5

ISSUE I.11. May Verizon summarily terminate AT&T's access to OSS for AT&T's alleged failure to cure its breach of obligations concerning access to OSS per Schedule 11.6?
--

6
7 **Q. WHAT DOES VERIZON PROPOSE IN THE EVENT OF A BREACH OF**
8 **THE TERMS OF ACCESS TO ITS OSS?**

9
10 A. Verizon has proposed the right summarily to terminate such access if AT&T has
11 been determined by Verizon to have breached the terms and conditions of its
12 access. This is overbroad and overreaching. The adverse consequences to
13 AT&T's ability to conduct business that such a draconian remedy would produce
14 far surpass any conceivable harm that would accrue from any such breach.
15 Moreover, AT&T has every incentive to protect Verizon's OSS without the threat
16 of being unable to conduct business.

17
18 **Q. WHY DOES VERIZON CONTEND THAT IT SHOULD BE ENTITLED**
19 **TO HAVE THIS RIGHT?**

20
21 A. Verizon contends that it needs the right to protect access to its OSS, a point that
22 AT&T does not dispute. But the agreed language in other sections of the contract
23 contain more than adequate remedies for Verizon to do so. Verizon has available
24 to it numerous remedies to cure any alleged breach by AT&T.⁶ Moreover, if
25 Verizon detects interference, impairment or other harms in its OSS, such harms

1 could well impair AT&T's ability to conduct its own business; thus, AT&T has
2 every incentive to abide by its obligations and to cooperate with Verizon in the
3 detection and prevention of any interference.

4
5 **Q. WHAT IS WRONG WITH VERIZON'S PROPOSED REMEDY?**

6 **A.** It would enable Verizon to discontinue – summarily and unilaterally – AT&T's
7 access to Verizon's OSS within ten days of its notification to AT&T alleging that,
8 in Verizon's sole judgment, AT&T had committed a breach of its OSS contractual
9 obligations, without any regard to the alleged severity of the breach or of any
10 impact on Verizon's OSS. Such a remedy is excessively punitive and
11 unwarranted.

12

ISSUE V.10	Must Verizon offer vertical features available for resale on a stand-alone basis?
-------------------	---

13
14 **Q. SHOULD VERIZON MAKE ITS VERTICAL FEATURES AVAILABLE**
15 **FOR RESALE?**

16
17 **A.** Yes, indeed it must do so. Under § 251(c)(4) of the Telecommunications Act,
18 Verizon is required to make available for resale any retail telecommunications
19 service. The Commission has also made it clear that ILECs such as Verizon
20 are prohibited from imposing discriminatory conditions on the resale of retail
21 services, finding that "resale restrictions are presumptively unreasonable."⁶
22 The vertical features offered by Verizon are, without question,

⁶ See, e.g., Schedule 11.6, section 3 of AT&T's proposed interconnection agreement, Attachment B to its petition.

⁷ First Report and Order, CC Docket 96-98, Aug. 8, 1996, ¶939.

1 “telecommunications services” within the meaning of the Telecommunications
2 Act, and thus properly subject to general resale obligations imposed by the
3 Act.⁸
4

5 **Q. DOES VERIZON CONTEND THAT THEY ARE NOT?**

6 A. No, but Verizon maintains that they are not offered at retail on, as they put it, a
7 stand-alone basis.⁹ But that is inconsistent with the manner in which Verizon
8 offers these vertical features pursuant to tariffs for telecommunications services.¹⁰
9 Verizon thus bears the burden under the FCC’s implementing regulations of
10 proving that the restriction it seeks to impose in the contract on the resale of
11 vertical features — *i.e.*, that they only will be resold with Verizon’s dial tone line
12 service — is both reasonable and narrowly tailored.¹¹

13 **Q. IS IT REASONABLE FOR VERIZON TO REQUIRE RESALE OF ITS**
14 **VERTICAL FEATURES ONLY IN CONNECTION WITH RESALE OF**
15 **ITS DIAL-TONE?**
16

17 A. I do not believe that it is. It is not disputed that Verizon’s dial tone line service
18 is available for purchase by retail customers on a stand-alone basis — that is,
19 without the purchase of Verizon’s monopoly vertical features.¹² Since retail
20 customers can purchase Verizon’s dial tone service without purchasing

⁸ See *e.g.*, Application By Sprint Communications Company, L.P. for Arbitration of Interconnection Rates, Terms, Conditions and Related Arrangements with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996, Public Utilities Commission of California, Application 00-05-053, Opinion (Oct. 5, 2000) (the “California Resale Opinion”), at 11.

⁹ See Verizon Response to Unresolved Issues, at 196 (Issue V-10).

¹⁰ See Verizon-VA Tariff No. 203, General Service, Custom Calling Features. See also, New York Telephone Company Tariff P.S.C. No. 900, § 2.

¹¹ See 47 C.F.R. § 51.613(b).

1 Verizon's monopoly vertical features, Verizon's insistence that AT&T —as a
2 reseller — purchase both local dial tone and vertical features can not withstand
3 scrutiny. It is patently unreasonable — both under general principles of
4 competition and under § 251(c)(4) — for Verizon to require AT&T to purchase
5 for resale services that AT&T does not want (dial tone) as a condition of
6 purchase for resale of monopoly services that AT&T does want (vertical
7 features). Indeed, this is precisely the holding of the California Public Utilities
8 Commission.¹³ Moreover, as other state commissions have found, there can be
9 no claim of technical infeasibility, because there is no technical reason that the
10 same carrier has to provide the local dial tone in order to provide vertical
11 features.¹⁴ In fact Verizon acknowledges that it offers its vertical features to
12 Enhanced Service Providers for resale.¹⁵

13 **Q. DOES VERIZON CHARGE CUSTOMERS SEPARATELY FOR ITS**
14 **MONOPOLY VERTICAL FEATURES?**

15
16 **A.** Yes, and this only reinforces the conclusion that Verizon is required to make
17 vertical features available for resale on stand-alone basis pursuant to § 251(c)(4).
18 Since vertical features are not included in the rate for dial tone (*i.e.*, basic local

¹² See Verizon-VA Tariff No. 202, Local Exchange Service.

¹³ California Resale Opinion, at 11. ("We concur in the [ALJ's] determination that Section 251(c)(4) requires the resale of vertical features, without purchase of the associated dial tone. Vertical features meet the Act's requirement of services offered at retail to end-user customers who are not telecommunications carriers.") Verizon calls this decision "wrong" (Verizon Response to Unresolved Issues at n. 275, p. 198) and refers to a decision of the Massachusetts DTE in an arbitration with Sprint.

¹⁴ See *e.g.*, Complaint By AT&T Communications of the Southwest, Inc. Regarding Tariff Control Number 21311, Pricing Flexibility-Essential Office Packages, Texas P.U.C. Docket Nos. 21425 and 21475, SOAH Docket No. 473-99-2071, Order (issued December 19, 2000) (the "Texas Resale Order"), at 7.

¹⁵ See Verizon Response to Unresolved Issues at 197.

1 service),¹⁶ it is clear that Verizon is not being required to disaggregate a genuinely
2 bundled service, but is instead simply being asked to make available for resale a
3 retail service that is listed and priced separately in Verizon's retail tariffs.¹⁷

4
5 **ISSUE VII-1** Should AT&T be allowed to circumvent over a year's worth of negotiations
6 by inserting language on Network Architecture issues that was never
discussed by the Parties?

7
8
9 **ISSUE VII-26** Should Verizon be compensated when its personnel arrive to perform
10 services for an AT&T customer and are unable to gain access to the
11 premises?

12
13
14 **Q. DO YOU AGREE THAT AT&T IS, AS VERIZON ASSERTS, TRYING TO**
15 **CIRCUMVENT NEGOTIATIONS ON NETWORK ARCHITECTURE?**

16 A. Absolutely not. Verizon's Supplemental Statement suggests, wrongly,
17 that AT&T has somehow changed its position on transport obligations for
18 interconnection traffic because it has submitted for its proposed contract language
19 that does not use Verizon's proposed term "IP".¹⁸ But AT&T's position
20 concerning network interconnection has been consistent throughout the
negotiations, and AT&T has no more attempted to circumvent negotiations by
proposing the terms that it prefers in this particular section of the contract when
the Parties have not come to agreement than Verizon is when it engages in the
same conduct with respect to other sections. While AT&T attempted to negotiate

¹⁶ See Verizon-VA tariff No. 203, General Service, Custom Calling Features; *see also*, New York Telephone Company Tariff P.S.C. No. 900, § 2.

¹⁷ See Application By Sprint Communications Company, L.P. for Arbitration of Interconnection Rates, Terms, Conditions and Related Arrangements with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996, Public Utilities Commission of California, Application 00-05-053, Final Arbitrator's Report (Sept. 5, 2000), at 25; California Resale Opinion, at 11.

1 in good faith language that included Verizon's term "IP" (a term which never
2 appears in the Act), it is my understanding that neither Party has changed its
3 fundamental position on where each party's respective "IP" must be located, a
4 fact confirmed by the differing draft Interconnection Agreements filed in this
5 proceeding. As Mr. Talbott explains, although AT&T has been willing to include
6 the term "IP" as an accommodation to Verizon, AT&T would not, and will not,
7 agree to apply that term in a manner that abrogates AT&T rights under the Act, as
8 Verizon would have it do. AT&T has never wavered from that stance in any of
9 its discussions with Verizon and has not circumvented any negotiation.

10
11 **Q. DOES AT&T DISPUTE THAT VERIZON SHOULD BE COMPENSATED**
12 **WHEN ITS TECHNICIANS ARE UNABLE TO GAIN ACCESS TO AN**
13 **AT&T CUSTOMER PREMISES WHEN THEY ARRIVE TO PERFORM**
14 **SERVICE FOR SUCH CUSTOMER?**

15
16 **A.** Not at all. The only dispute here was how to reflect in the contract what the
17 appropriate charge should be. Verizon has proposed that the charge be calculated
18 as "the sum of the Applicable Service Order charge and the Premises Visit Charge
19 as specified in Verizon's retail tariff." That seemed to AT&T to recover more
20 than an appropriate amount for something less than an equivalent effort when
21 access to the premises is obtained and work is performed. While AT&T and
22 Verizon have not yet been able to conclude negotiation of the appropriate rate,
23 Verizon asserts that it is necessary to adopt its terms to "avoid uncertainty."¹⁹
24 Avoidance of uncertainty is surely advisable, but so is avoidance of double

¹⁸ See Verizon Supplemental Statement of Unresolved Issues, at 27 (Issue VII-1).

¹⁹ See Verizon Supplemental Statement of Unresolved Issues, at 53 (Issue VII-26).

1 recovery. The appropriate rate – one that reflects the lesser amount of effort when
2 no work is performed – should be included.

3
What are the appropriate terms and conditions to comprehensively implement the Commission's ISP Remand Order?

I.5.a. How should Verizon and AT&T calculate whether traffic exceeds a 3:1 ratio of terminating to originating traffic?

I.5.b. How should Verizon and AT&T implement the rate caps for ISP-bound traffic?

I.5.c. How should Verizon and AT&T calculate the growth cap on the total number of compensable ISP-bound traffic minutes?

I.5.d. How should the parties implement a Verizon offer to exchange all traffic subject to section 251(b)(5) at the rate mandated by the FCC for terminating ISP-bound traffic?

I.5.e. What mechanisms should the parties utilize to implement, in an expeditious fashion, changes resulting from any successful legal appeals of the Commission's ISP Remand Order?

4
5 **Q. HOW SHOULD THE PARTIES REFLECT IN THEIR**
6 **INTERCONNECTION AGREEMENT THE TERMS AND CONDITIONS**
7 **NECESSARY TO IMPLEMENT THE COMMISSION'S *ISP REMAND***
8 ***ORDER*?**

9
10 **A.** By adopting the language that AT&T is proposing, which is attached to this
11 affidavit as Exhibit A.

12 **Q. WHY ARE THESE TERMS APPROPRIATE FOR INCLUSION IN THE**
13 **AGREEMENT?**

14
15 **A.** Because the *ISP Remand Order* raised a number of critical implementation issues
16 concerning the three-year transitional intercarrier compensation scheme for ISP-
17 bound traffic that need to be addressed. AT&T's proposed contract language
18 addresses these complex issues in an unambiguous manner. Among other things,

1 AT&T proposes mechanisms for: calculating the amount of ISP-bound traffic
2 under the Commission's 3:1 ratio; determining appropriate growth caps and rate
3 caps; implementing any Verizon offer to offer exchange all traffic subject to
4 section 251(b)(5) at the rate mandated by the FCC for terminating ISP-bound
5 traffic; and adopting changes resulting from successful legal appeals of the *ISP*
6 *Remand Order*. AT&T's proposed language will allow AT&T and Verizon to
7 implement this new intercarrier compensation regime in an expeditious manner.

8 **Q. HOW DOES AT&T PROPOSE TO IDENTIFY ISP-BOUND TRAFFIC?**

9 A. AT&T suggests that all local traffic that is terminated by one party for the other
10 party within any calendar quarter in excess of an amount (measured by total
11 minutes of use) that is three times the traffic that is terminated by the other party
12 be conclusively defined as ISP-bound Traffic. All other local traffic that is
13 exchanged between the parties would be conclusively defined as traffic that
14 would be considered local. See Exhibit A, section 2.1.

15 **Q. HOW DOES AT&T PROPOSE TO IMPLEMENT THE GROWTH CAPS**
16 **ON ISP-BOUND TRAFFIC THAT THE COMMISSION ADOPTED?**
17

18 A. The precise formula by which AT&T suggests the growth caps be calculated is
19 stated in Exhibit A, section 2.3. It involves calculating an "ISP-bound
20 Annualized Traffic Cap" for the year 2001 and deriving the compensable amount
21 of ISP-bound traffic from that cap.

22

1 **Q. WHY DOES AT&T PROPOSE THE PARTICULAR METHOD OF**
2 **BILLING THIS TRAFFIC THAT IT DOES?**

3
4 A. In order to avoid having to repeatedly revise bills retroactively to adjust for data
5 that is not available until after the bills will have been rendered. Thus AT&T
6 proposes that factors be established based on traffic exchanged in the preceding
7 calendar quarter. See Exhibit A, § 2.4. This approach is one familiar to the
8 parties as it is employed today in deriving factors for both local usage (PLUs) and
9 non-local usage (PIUs) to facilitate billing.

10

Unbundled Switching Rate Design
--

11

12 **Q. WHAT RATE DESIGN FOR UNBUNDLED SWITCHING DOES AT&T**
13 **RECOMMEND?**

14

15 A. AT&T recommends that Verizon continue to assess switching charges using the
16 same rate design that is in place today. Specifically, AT&T recommends that
17 Verizon maintain a separate fixed monthly port charge to recover the non-traffic
18 sensitive switch costs identified by Mr. Pitkin and discussed by Ms. Pitts and Ms.
19 Murray, as well as a per-minute usage charge to recover the traffic sensitive costs
20 also discussed by the same witnesses. This is the same rate design the
21 Commission first established in its 1996 Local Competition Order and adopted by
22 nearly every state in the country.

23 **Q. WHAT PRINCIPLES SHOULD BE FOLLOWED WHEN DETERMINING**
24 **RATE DESIGN?**

25 A. Rate design should structure prices to most closely reflect underlying forward-
26 looking economic costs. The rate design should be stable and impose minimal

1 administrative and auditing burdens on the parties. The rate structure I
2 recommend accomplishes those goals, which, I suppose, is an obvious fact given
3 that it has been in place across the country for five years.

4 **Q. WORLDCOM HAS RECOMMENDED THE COMMISSION ADOPT A**
5 **FLAT RATED CHARGE TO RECOVER ALL SWITCHING COSTS,**
6 **BOTH TRAFFIC SENSITIVE AND NON-TRAFFIC SENSITIVE. DOES**
7 **AT&T SUPPORT THAT OPTION?**

8 **A.** No. Worldcom's flat rated switching rate design should not be implemented if it
9 is in lieu of the current per-minutes-of-use rate design. For one thing, the
10 proposal does not properly align rates and costs. Moreover, AT&T, and certainly
11 other carriers as well, have established (or are establishing) business plans based
12 on the current rate design which may be subject to change if the current rate
13 design were eliminated.

14 AT&T would not object, however, if the Commission implemented
15 Worldcom's proposal as an alternative rate design, offered in addition to, not in
16 lieu of, the traditional port-and-usage charge structure.

17 If the Commission decides to make a flat rate option available, it should
18 require that each carrier elect one option for all of the switching that it purchases.
19 Otherwise, a carrier would have an incentive to purchase the flat rate option for
20 high volume customers and the more traditional port-usage based option for lower
21 volume customers. That obviously would not be fair or appropriate.

22
23 **ISSUE V.4 Should all calls originating and terminating within a LATA be subject**
24 **to the same compensation arrangements without regard to end-user**
25 **classification or type of traffic?**
26
27

1 **Q. PLEASE BRIEFLY EXPLAIN AT&T’S PROPOSAL TO SETTLE ALL**
2 **INTRALATA CALLING UNDER A UNIFIED COMPENSATION**
3 **REGIME.**

4 A. Under AT&T’s proposal, all intraLATA and local calls originated by AT&T
5 customers that Verizon subsequently terminates on its own network (or hands off
6 to another party for termination) should be subject to reciprocal compensation
7 arrangements between AT&T and Verizon. Likewise, any intraLATA and local
8 calls delivered by Verizon to AT&T customers that are originated by Verizon
9 customers or are originated by third parties but delivered by Verizon should also
10 be covered by reciprocal compensation.

11

12 **Q. PLEASE EXPLAIN WHY SUCH A COMPENSATION ARRANGEMENT**
13 **ENSURES FAIR AND EQUITABLE COMPENSATION FOR ALL**
14 **INTRALATA CALLS.**

15 A. The different rates or compensation schemes for local and toll traffic, and/or for
16 voice and data traffic, are not supported by differences in underlying costs of
17 providing these services. The same facilities are used to complete toll calls as are
18 used to complete local calls. Yet, Verizon continues to charge different rates to
19 competing carriers, depending on whether the call is characterized as “local” or
20 “toll.”

21

22 **Q. HAS THE COMMISSION RECOGNIZED THE DESIREABILITY OF**
23 **MOVING TOWARD A UNIFIED COMPENSATION REGIME?**

24 A. Yes. Artificial discrepancies in compensation where costs are the same leads to
25 economic inefficiencies and adverse effects on competition, as the Commission

1 has recognized in instituting the *Unified Intercarrier Compensation Regime*
2 rulemaking.²⁰ Chairman Powell, in his Separate Statement, stated that:

3 As all regulators and businesses know, however, the rates for
4 interconnecting with the phone network vary depending on the
5 type of company that is doing the interconnecting. In a
6 competitive environment, this leads to arbitrage and inefficient
7 entry incentives, as companies try to interconnect at the most
8 attractive rates. I support this Notice because it seeks comment on
9 how we can make these varied intercarrier compensation regimes
10 more consistent with each other and, thus, with competition.

11
12 **Q. HOW DOES THE DISTINCTION BETWEEN “LOCAL” AND “TOLL**
13 **TRAFFIC WITHIN A LATA AFFECT COMPETITION?**

14 A. The distinction between “local” and “toll” calls is a purely artificial one that
15 dictates what a competing carrier must pay for call termination – either excessive
16 access rates or the much lower call termination rates. By requiring that all calls
17 that originate and terminate within a LATA are subject to call termination charges
18 rather than access charges, the Commission will be putting Verizon and AT&T on
19 comparable footing with regard to the costs of terminating calls and, at the same
20 time, will be pave the way for lower intraLATA toll prices and new service plans.

21
22 **Q. ARE THERE ANY PHYSICAL DIFFERENCES IN THE WAY**
23 **INTRALATA “LOCAL” AND “TOLL” CALLS ARE ROUTED OR**
24 **HANDLED?**

25 A. No. In their capacity as local exchange carriers, both AT&T and Verizon
26 originate calls on their respective networks that must be terminated to the other
27 carrier’s network. AT&T and Verizon deliver all intraLATA traffic -- local or toll
28 -- over the same trunk groups. From where a customer originates a call should be

²⁰ Re: Notice of Proposed Rulemaking, *Developing a Unified Intercarrier Compensation Regime*,

1 immaterial to the rates either carrier will charge the other for the termination of
2 that call. Therefore, all calls originated on either carrier's network should be
3 governed by the rates for transport and termination that are meant to apply
4 between competing local exchange carriers.
5

6 **Q. DOES VERIZON'S INSISTENCE THAT INTRALATA CALLS BE**
7 **SEGREGATED INTO "LOCAL" AND "TOLL" LEAD TO HIGHER**
8 **ADMINISTRATIVE COSTS?**

9 **A.** Yes. Verizon's position increases the administrative costs associated with
10 transport and termination. Today each carrier incurs costs to track the originating
11 point of every call so that it can be reconciled in the billing settlement process as
12 either "local" or "toll." That distinction will not be necessary with a unified
13 compensation mechanism. Moreover, going forward, the change AT&T
14 advocates will reduce the costs of changing calling plans from "toll" to "local"
15 because such changes would not require changes in the way terminating calls are
16 tracked.
17
18

19 **SUB-ISSUE V.4.A and ISSUE V.3²¹ Should reciprocal compensation provisions**
20 **apply between AT&T and Verizon for all traffic originating from UNE-P customers**
21 **of AT&T and terminating to other retail customers in the same LATA, and for all**
22 **traffic terminating to AT&T UNE-P customers originated by other retail customers**
23 **in the same LATA?**
24

CC Docket No. 01-92 (April 19, 2001).

²¹ Issues V.4.A and V.3 are identical and were separately stated in AT&T's Petition in error.

1 **Q. PLEASE EXPLAIN HOW AT&T'S PROPOSAL WITH RESPECT TO**
2 **COMPENSATION FOR INTRALATA CALLS TO AND FROM AT&T'S**
3 **UNE-P CUSTOMERS DIFFERS FROM THE BROADER ISSUE OF CALL**
4 **COMPENSATION DISCUSSED IN ISSUE V.4, ABOVE.**

5 A. This issue is related to the proposal for a unified reciprocal compensation regime
6 discussed above, but is a narrow subset of the broader issue. Under AT&T's
7 proposal, all AT&T UNE-P local and intraLATA traffic originating, terminating
8 and transiting over Verizon's network should be treated in exactly the same
9 manner as Verizon treats its own comparable traffic. AT&T should not pay
10 access charges because the call never touches AT&T's network. Rather, such
11 calls should be compensated under a reciprocal compensation regime.

12

13 **Q. WHAT IS AT&T'S PROPOSAL WITH RESPECT TO TRANSIT**
14 **TRAFFIC COMPENSATION?**

15 A. Verizon should treat UNE-P-based calls to and from third party CLECs as its own
16 traffic for the purpose of setting reciprocal compensation obligations. This
17 proposal simplifies "transit traffic" compensation arrangements. It eliminates the
18 need for costly and time-consuming processes to negotiate and manage multiple
19 interconnection agreements among all local service providers in Verizon's
20 territory. For Verizon, this approach also eliminates the requirement that Verizon
21 act as a clearinghouse for the creation and exchange of message records among
22 the various CLECs operating in its territory, thereby relieving Verizon of the costs
23 of maintaining that service.

24

25 **Q. WOULDN'T VERIZON BE DEPRIVED OF COMPENSATION FOR**
26 **TRANSIT TRAFFIC?**

1 A. No. Verizon, through its agreements with the third parties, would obtain
2 reciprocal compensation for carrying transit traffic. For traffic from AT&T's
3 UNE-P customers, Verizon would collect reciprocal compensation from the third
4 party as if it had originated the traffic for termination by the third party, although
5 it did not. The collection of such charges compensates Verizon for the use of its
6 network.

7

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes it does.

10